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MEDIA RELEASE
For Immediate Release
Monday, April 14, 2003

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**SEACOAST RESIDENT PLEADS GUILTY TO EMBEZZLING \$1.6 M FROM
CHURCH**

CONCORD, NEW HAMPSHIRE – U.S. Attorney Tom Colantuono announced that Seacoast resident Ross E. Perry pleaded guilty today to one count each of federal mail fraud and federal wire fraud arising from his embezzlement of more than \$1.6 million from his church and to a variety of federal income tax offenses. Perry's embezzlement involved the misappropriation of funds of the First Church of Christ Scientists of Portsmouth, New Hampshire, between 1996 and 2002, while Perry served as the church's treasurer. The tax charges include six counts of federal income tax evasion and one count of failing to file employer tax returns on behalf of Perry's Seabrook, New Hampshire, wastewater treatment equipment company, Compliance Systems, Inc. ("CSI"). Perry was the president and principal beneficial shareholder of CSI. Perry, age 43, resides on Post Road, in Greenland, New Hampshire.

At today's plea hearing before U.S. District Court Judge Paul J. Barbadoro, Perry admitted to misappropriating more than \$1.6 million from the bank and brokerage accounts of the First Church of Christ Scientists in Portsmouth. Perry was a member and, since 1995 the treasurer, of the church, until his embezzlement scheme was discovered last year. In pleading guilty, Perry acknowledged that he misappropriated the funds from the church by drawing checks against the church's bank account payable to himself and using funds drawn from the church's bank account to purchase bank treasurer's checks payable to himself, CSI or creditors of CSI. Perry kept the church's bank accounts funded by liquidating securities and mutual fund holdings in the church's investment account. Perry admitted that he concealed the misappropriations by providing the church's board of directors false financial statements that overstated the values of the church's investment holdings. Perry's scheme continued until there was less than one hundred dollars left in the church's accounts.

Perry also admitted to evading personal federal income taxes for tax years 1996 through 2001. At the plea hearing, Perry acknowledged that for each of those tax years he failed to file federal income tax returns even though he had received substantial wages and substantial additional income from his embezzlement from the church. In addition, Perry admitted that, after the IRS began its criminal investigation, he also made affirmative false written and oral statements to the Internal Revenue

Service, which substantially understated his income for the charged tax years. The government alleges that, through his actions, Perry thereby illegally evaded more than \$568,000 in personal federal income taxes. Finally, Perry admitted that he illegally failed to file employment tax returns for CSI, which, according to the government's allegations, resulted in CSI's failure to pay approximately \$468,000 it owed to the IRS, including more than \$330,000 in federal income, Social Security and Medicare taxes that it had withheld from the paychecks of its employees.

Perry faces a sentence of up to five years and a fine of up to \$250,000 for each of the eight mail fraud, wire fraud and tax evasion counts. The failure to file count carries a maximum sentence of one year and a fine of \$100,000. Perry's sentencing is scheduled for July 21, 2003 at 9:30 A. M.

U.S. Attorney Colantuono stated: "The defendant in this case violated his duties to his church and to his country. I am grateful to the Portsmouth Police Department, the Federal Bureau of Investigation and the Internal Revenue Service's, Office of Criminal Investigations for uncovering these crimes. This office will continue to prosecute aggressively financial crimes." According to Joseph Galasso, Special Agent-in-Charge of the Internal Revenue Service, Criminal Investigation in Boston, "Income, even when derived from a criminal act, is taxable."

The investigation was jointly conducted by the Portsmouth Police Department, the Federal Bureau of Investigation and the Internal Revenue Service's Office of Criminal Investigation. The case is being prosecuted by Assistant U.S. Attorney Bill Morse.